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TUNDRA GOLD
MINES LIMITED

ANNUAL REPORT
For the year ended March 31, 1967

Tundra Gold Mines Limited

Officers and Directors

OFFICERS

A. W. White	*President*
J. C. Byrne	*Vice-President and Managing Director*
H. R. Heard	*Secretary*
D. S. Hamilton	*Treasurer*

DIRECTORS

A. W. White	Toronto, Ontario
J. C. Byrne	Toronto, Ontario
J. J. Byrne	Toronto, Ontario
J. L. Ward	Oakville, Ontario
L. V. Barbisan	Cooksville, Ontario
F. A. Fell	Toronto, Ontario

GENERAL MANAGER

R. J. Kilgour, P.Eng. - - - - - - - Discovery, N.W.T.

CONSULTANTS

Norman W. Byrne, P.Eng. - - - - - Yellowknife, N.W.T.
Consulting Engineer

A. P. Beavan, Ph.D., P.Eng. - - - - - Montreal, Quebec
Consulting Geologist

TRANSFER AGENTS

The Sterling Trusts Corporation
372 Bay Street
Toronto 1, Ontario

AUDITORS

Eddis & Associates
85 Richmond St. West
Toronto 1, Ontario

ANNUAL MEETING

To be held in Suite 416, 25 Adelaide St. West, Toronto,
the 22nd day of August, 1967,
at 10:15 a.m., Toronto Time.

Tundra Gold Mines Limited

Directors' Report to the Shareholders

The Annual Report to Shareholders for the year ended March 31, 1967, includes reports on operations by Mr. J. C. Byrne, Managing Director of the Company and by Mr. L. C. Dixon, Mine Manager, a report on ore developments and reserves by Mr. N. W. Byrne, Consulting Mining Engineer, and financial statements of the Company as of March 31, 1967, reported upon by your auditors, Eddis & Associates.

As a result of an acute shortage of skilled labour, increased costs and a fixed price for gold, the Company incurred a net loss of $303,359 after providing $207,178 for depreciation of fixed assets and $70,500 for interest on the 6 per cent income debentures.

In view of its financial position, the Company did not comply with the sinking fund provisions attached to the preference shares whereby 15 per cent of the gold production should be set aside for redemption of the preference shares. Therefore the holders of preference shares have the right to elect 3/7 of the members of the Board of Directors.

Meetings of the Shareholders of the Company will be held in Suite 416, 25 Adelaide Street West, Toronto 1, Ontario, on Tuesday, August 22, 1967. Each Shareholder who will not be able to attend the Annual Meeting is respectfully requested to sign and return the enclosed form of proxy to the Secretary of the Company at Suite 416, 25 Adelaide Street West, Toronto 1, Ontario.

Respectfully submitted on behalf of the Board,

A. W. WHITE,
President.

Toronto, Ontario,
July 20, 1967.

Tundra Gold Mines Limited

Managing Director's Report

To the Shareholders:

Your Company's gold mine, located in the barren lands of far northern Canada, experienced a severe shortage and high turnover of skilled labour during the third year of production. The shortage of miners caused a drastic drop in broken ore reserves and finally a reduction in daily tonnage milled to well below economic limits. This situation, combined with increasing costs and a lower grade of ore milled, resulted in an operating loss of $25,681 and a net loss of $303,359 for the fiscal year.

A full work force was recruited in early January and has remained relatively stable to the present date. We have also been fortunate in developing a limited amount of above average grade ore. These improved conditions are reflected in an operating profit, before depreciation and debenture interest, amounting to $95,000 for the first quarter of the present fiscal year, April to June 1967, inclusive.

Very substantial expenditures in building up broken ore reserves plus a milling rate far below capacity resulted in an operating loss of $70,000 during the final three months of the previous fiscal year, January to March 1967. In late March mill tonnage moved up to 140-145 tons daily and we are hopeful that this condition can continue at least for the first six months of the current fiscal year. Gold occurrence in the Matthews Vein is such that individual stopes are small, therefore several must be operated concurrently to provide economic mill tonnage. Eight to ten stopes are now in operation.

Approximately 16,000 tons of new ore were developed during the year which was one third of the tonnage milled. Proven ore reserves were therefore reduced by 33,000 tons and amounted to 40,476 tons at fiscal year end averaging 0.58 ounces gold per ton. The Matthews Vein has been explored and developed extensively to the bottom mine level at 1,225 foot depth. Consequently it is difficult to envisage developing an appreciable tonnage of additional reserves that can be mined at a profit under continually escalating costs and a 33-year fixed price for gold.

The Directors are most appreciative of the conscientious and untiring efforts of management, staff and crew.

TUNDRA GOLD MINES LIMITED,

J. C. BYRNE,
Managing Director.

Toronto, Ontario,
July 10, 1967.

Tundra Gold

Balance Sheet as a

ASSETS

		1966
Current		
Cash	9,535	
Bullion on hand and in transit	89,175	107,321
Receivable under the Emergency Gold Mining Assistance Act — estimated	78,847	118,760
Accounts receivable	13,664	13,939
	191,221	240,020
Matthews Lake Property — Northwest Territories		
Mining claims — acquired for cash and shares of capital stock at valuation placed thereon by directors	195,000	195,000
Buildings, machinery and equipment at cost less accumulated depreciation \$616,807 (1967) — \$409,629 (1966)	1,454,970	1,659,297
Mining supplies, at cost	341,661	425,706
Deferred exploration and development expenditures	512,324	512,324
	2,503,955	2,792,327
Other Mining Properties		
Patented mining claims in Kenora Mining Division, Ontario, acquired for cash and shares of capital stock at valuation placed thereon by directors	23,535	23,535
Exploration and development expenditures	34,069	33,949
	57,604	57,484
Other Assets		
Prepaid expenses	3,024	15,458
Special refundable tax	2,727	
	5,751	15,458
	\$2,758,531	\$3,105,289

Approved on behalf of the Board,

J. C. BYRNE, Director.

L. V. BARBISAN, Director.

AUDITOR

To the Shareholders,
TUNDRA GOLD MINES LIMITED.

We have examined the balance sheet of Tundra Gold Mines Limited as at March 31, 1967 and the statements of operations and deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the attached balance sheet and accompanying statements of operations and deficit present fairly the financial position of the company as at March

Toronto, Canada,
June 22, 1967.

Mines Limited

arch 31, 1967

LIABILITIES

		1966
Current		
Bank loan and overdraft — secured		10,791
Accounts payable and accrued charges	107,696	94,330
Debenture interest payable	140,347	186,321
	248,043	291,442
Long-Term		
Income debentures payable — 6%, due April 1, 1970	1,175,000	1,175,000
Capital Stock		
Authorized:		
100,000 6% (cumulative from January 1, 1962) convertible redeemable sinking fund preference shares of $35 par value each	3,500,000	
5,000,000 common shares of $1 par value each	5,000,000	
	$8,500,000	
Issued and fully paid:		
89,022 preference shares	3,115,770	3,115,770
1,496,566 common shares	1,496,566	1,496,566
	4,612,336	4,612,336
Deficit	3,276,848	2,973,489
	1,335,488	1,638,847
	$2,758,531	$3,105,289

The accompanying Notes are an integral part of these financial statements and should be read in conjunction therewith.

EPORT

31, 1967 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying statement of source and application of funds which, in our opinion, presents fairly the sources and application of funds of the company for the year ended March 31, 1967.

EDDIS & ASSOCIATES,
Chartered Accountants.

Tundra Gold Mines Limited

Notes to Financial Statements

AS AT MARCH 31, 1967

1. **6% Income Debentures**

   The debentures contain various provisions and restrictions affecting, inter alia, payment of dividends and redemption of capital stock. Cumulative interest at 6% per annum is payable only out of operating profits as defined in the debentures.

2. **Capital Stock**

   3,115,770 common shares of the capital stock of the company are reserved for issuance to holders of preference shares in accordance with the conversion privilege attached to the preference shares.

   To date, 200 preference shares have been converted into common shares as follows:

Number of preference shares issued	89,222
Number of preference shares converted into common shares (none during the current year)	200
Number of preference shares presently outstanding	89,022

3. **Dividends**

   No dividends have been declared or paid to date on the 6% preference shares. The unpaid dividends on these shares, which are cumulative from January 1, 1962, amount to $981,467 or $11.02½ per share as at March 31, 1967.

4. **Depreciation**

   Depreciation on buildings, machinery and equipment has been calculated on a straight-line basis at the rate of 10% per annum.

5. **Deferred Development**

   With regard to the deferred exploration and development expenditures of $512,324 shown on the balance sheet, the directors of the company have decided to carry this amount forward until such time as the company has taxable profits against which to apply it.

6. **Sinking Fund**

   In accordance with the various conditions and restrictions attached to its preference shares, the company is required to set aside within 120 days after the end of each fiscal year an amount equal to the value of 15% of the gold produced during the fiscal year, as a sinking fund.

   The company is required to apply the money thus set aside to the redemption of preference shares within 60 days after it is so set aside.

   In the event that (a) the unpaid cumulative dividends exceed $4.20 per share or (b) the company fails to set aside the amount required on account of the sinking fund within 120 days after the end of the fiscal year or (c) the money set aside is not applied within 60 days to the redemption of preference shares, the holders of the preference shares shall be entitled to elect three-sevenths of the members of the board of directors.

   The amount required to be set aside for sinking fund purposes out of production prior to April 1, 1966 was $331,419, but this money has not yet been so set aside.

Tundra Gold Mines Limited

Statement of Operations

FOR THE YEAR ENDED MARCH 31, 1967

		1966
Revenue		
Metal production	895,857	1,253,896
Estimated amount recoverable under the Emergency Gold Mining Assistance Act	241,696	339,382
	1,137,553	1,593,278
Expenditures		
Cost of metal production, including mining, milling, delivery and mint charges	1,141,103	1,165,330
Head office, administrative and general expenses	22,023	24,492
Interest on bank loan	108	9,175
	1,163,234	1,198,997
Operating profit or loss ( ) before depreciation and debenture interest	(25,681)	394,281
Deduct:		
Provision for depreciation	207,178	206,893
Debenture interest	70,500	70,500
	277,678	277,393
Net profit or loss ( ) for the year	$ (303,359)	$ 116,888

Statement of Deficit

FOR THE YEAR ENDED MARCH 31, 1967

		1966
Balance at beginning of year	2,973,489	3,090,377
Net profit or loss ( ) for the year	(303,359)	116,888
Balance at end of year	$3,276,848	$2,973,489

Tundra Gold Mines Limited

Statement of Source and Application of Funds

FOR THE YEAR ENDED MARCH 31, 1967

		1966
Source of Funds		
Net profit for the year (1966)		116,888
Depreciation	207,178	206,893
Reduction in inventory of mining supplies	84,045	62,981
Other items, net	9,619	8,956
	$ 300,842	$ 395,718
Application of Funds		
Net loss for the year (1967)	303,359	
Additions to buildings, machinery and equipment	2,883	41,563
Debenture interest payable as at March 31, 1965 now considered a current liability		115,821
Increase or decrease ( ) in working capital	(5,400)	238,334
	$ 300,842	$ 395,718

WORKING CAPITAL

		1966
Net current liabilities — beginning of year	51,422	289,756
Increase or decrease ( ) in working capital	(5,400)	238,334
Net current liabilities — end of year	$ 56,822	$ 51,422

Tundra Gold Mines Limited

Mine Manager's Report

The President and Directors,
Tundra Gold Mines Limited,
Suite 1011, 2200 Yonge Street,
Toronto 12, Ontario.

GENTLEMEN:

A report on the operations of your Mine for the fiscal year ending March 31, 1967 is submitted herewith for your consideration.

SUMMARY

The past year, which was the third year of production, has been a disappointing one. The main causes have been a severe shortage and high turnover of skilled labour, particularly in the mining section and also to price increases which are nation wide.

During the year 1,382 feet of drifting, 80 feet of raising and 1,452 feet of diamond drilling were completed.

Stope preparations or stoping was carried out on all levels during the year. Stoping was done mainly on the Matthews vein except on the 8th level where No. 2 vein was investigated by raising and two stopes were taken up a distance of 80 feet and stopped as the values were much below mine grade. New ore was opened up in 9 South Section on both the 1st and 2nd levels and has proven higher than mine grade. At the year end the South Drift on the 3rd level was being driven to investigate the downward extension of this ore shoot.

Mill recovery was 96.3 per cent, up from 95.87 per cent in the previous year and tonnage was 48,588 tons, down from 53,462 tons.

PRODUCTION

The Mill treated 48,588 tons of ore during the year to produce 23,532.669 ounces of gold. The total value of the bullion produced was $1,137,553.00 including $241,696.00 E.G.M.A.

OPERATING COSTS

Detailed Mine Operating Costs are tabulated as follows:

	Per Ton Milled		Per Ounce Recovered	
	1966-7	1965-6	1966-7	1965-6
Drifting and Crosscutting	1.51	2.32	3.11	3.76
Raising	0.07	0.25	0.14	0.40
Diamond Drilling	0.14	0.12	0.30	0.19
Stoping	14.86	12.08	30.69	19.55
Milling	6.81	6.47	14.06	10.47
Mint charges and Transportation — Bullion	0.16	0.20	0.33	0.33
Total Mine Operating Costs before depreciation	$ 23.55	$ 21.44	$ 48.63	$ 34.70

MILLING

Tons Milled	48,588
Average tons milled daily	135.8
Operating time — per cent	98.4
Mill Heads — ounces per ton	0.51
Mill Tails — ounces per ton	0.0187
Mill Recovery — per cent	96.30
Mill Heads @ $35.00 per ounce	$17.85
Mill Tails @ $35.00 per ounce	$0.655
Fine Ounces Gold Produced	23,532.669
Value of Production	$896,089.00
E.G.M.A.	$241,798.00
Average Price received for Gold	$37.79

PERSONNEL

Our normal working force should be approximately 90 employees and during the past year our average was 74. In the mining department where the normal is 35, at times we were as low as 23 and during the year had a turnover of 300 per cent.

FREIGHT AND TRANSPORTATION

Winter Trucking: The first trailer truck convoy of the season arrived at the property on 13th January 1967 and the final convoy on 24th February 1967. During that time 84 truck trailer units arrived at the mine, with a total payload in excess of 2,500 tons. Included in this tonnage was 280,500 imperial gallons of fuel oil.

Aircraft: During the year 138 aircraft arrived at the property. Total incoming payloads amounted to 175 tons of general freight and over 425 passengers.

CONCLUSION

The Management wishes to extend thanks to the various department heads for their competent supervision and their loyal co-operation along with their staffs.

I should also like to thank the Directors and Officers of the Company for their help and guidance throughout the year.

Respectfully submitted,

TUNDRA GOLD MINES LIMITED
L. C. DIXON,
Mine Manager.

Yellowknife, N.W.T.,
May 25, 1967.

Tundra Gold Mines Limited

Consulting Engineer's Report

The President and Directors,
Tundra Gold Mines Limited,
Suite 1011 — 2200 Yonge Street,
TORONTO 12, Ontario.

GENTLEMEN:

Following is our report of ore development and reserves at the Company's property at McKay Lake, in the Northwest Territories for the fiscal year ending March 31, 1967.

The shortage of skilled miners and complementary underground crew was devastating at Tundra after the first four months of milling in its third year of production and the gradual deterioration of deliveries to the mill reduced the mine to a 120-ton per day operation. For the calendar year 1967 the mine can be looked upon as in a retreating sequence and will, in most respects, be mined out before the end of the next fiscal year.

The No. 2 Vein at the extreme south end of the bottom mine level, the Eighth, was tested with two stopes and a stope-raise. Some 1,612 tons of material grading 0.24 ounces per ton were milled during the year and the remaining tonnage now broken is not ore.

The main 04 ore shoot has been taken from the bottom mine level through to surface except for the sill below the Second level which contains some 1,200 tons grading 0.65 ounces. Another area on the bottom level holds approximately 3,000 tons of about 0.80 ounces per ton ore at the north end of the 804 Stope.

Some new sources of ore on the upper levels have been opened by drifting, especially to the south of the shaft on the First and Third levels. Because of the strong vertical component and the fact that ore has been mined which did not show up in drifting, several development openings are being restudied and backs will be taken down on the Matthews Vein wherever an assay grouping shows the least possibility for stope development. In this regard both the 206 Stope at one-half ounce and the 09 stopes averaging about three-quarters of an ounce are being followed down and may yield ore down to the Fourth level.

A clean-up sequence north of the shaft is underway where stopes have been extremely narrow in an attempt to mine the gold that can be seen. On the Fourth level 401N Stope yielded 5,627 tons grading 0.63 ounces per ton and some 200 feet of drifting in 1967 north of the shaft on the Fifth Level in this area will be carried out to try to pick up the downward extension of this better than mine grade material.

During the year some 48,588 tons of ore were treated yielding 23,533 ounces of gold. Some 28% less gold was produced than last year from mill feed grading 0.51 ounces per ton.

Proven ore reserves in the mine at year end may be summarized as follows:

	1967		1966	
	Tons	Grade	Tons	Grade
Broken in Stopes	10,992	0.58	23,009	0.60
In Place	29,484	0.58	50,208	0.56
Totals	40,476	0.585	73,217	0.57

To the developed ore listed above a possible tonnage north of the shaft between the Fourth and Sixth levels must be added. The developed ore, including broken and in place, approximates less than one year's milling at the current daily rate.

Respectfully submitted,

NORMAN W. BYRNE, P.Eng.,
Consulting Mining Engineer.

Yellowknife, N.W.T.,
June 27, 1967.

~~Scott~~

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TUNDRA GOLD MINES
LIMITED

Suite 1011 - 2200 Yonge Street
Toronto, Ontario

Six Month Report

SEPTEMBER 30, 1967

Corp report

TUNDRA GOLD MINES LIMITED

REPORT TO THE SHAREHOLDERS
For the Six Month Period Ended
September 30, 1967

To the Shareholders:

We present herewith the unaudited Statement of Operations and Statement of Source and Application of Funds for the six months ending September 30, 1967, with comparative figures for the same period of 1966.

For the six months, mine production was 15,906 (13,382) ounces of gold from 26,131 (27,542) tons milled. The mill treated 143 (151) tons daily averaging 0.64 (0.50) ounces per ton. The figures in brackets are for the comparative period of the previous fiscal year.

Although a relatively modest operating profit was earned during the first six months, the Company is unable to foresee a continuance of profitable operations. Since the remaining reserves are of sub-marginal grade it is the opinion of the Directors that the interest of the shareholders would be best served by suspending mining and milling at the end of December of this year or early January. In an endeavour to cut potential losses, development work is being sharply curtailed and mining will be confined to the better grade reserves.

This is the end

In the event that gold should reach a substantially higher price level, there will be a significant tonnage of reserves that would probably be economic, in which case consideration would be given to resumption of operations.

On behalf of the Board of Directors

J. C. BYRNE
Vice-President and Managing Director

Toronto, Ontario
November 28, 1967

TUNDRA GOLD MINES LIMITED

STATEMENT OF OPERATIONS
For the Six Months Period Ended September 30, 1967

	1967	1966
Revenue:		
Metal Production	$605,293.45	$508,721.58
Estimated amount recoverable under the Emergency Gold Mining Assistance Act	163,363.00	137,500.00
	$768,656.45	$646,221.58
Expenditures:		
Cost of Metal Production, including Mining, Milling, Delivery and Mint Charges ..	$626,410.15	$555,413.12
Head Office and Adminstrative Charges .	11,934.01	10,781.59
Interest on Bank Loan .	—	108.48
	$638,344.16	$566,303.19
Operating Profit before Depreciation and Debenture Interest	$130,312.29	$ 79,918.39
Deduct:		
Provision for Depreciation	$103,649.00	$103,589.00
Debenture Interest	35,250.00	35,250.00
	$138,899.00	$138,839.00
Loss for the period	$ 8,586.71	$ 58,920.67

TUNDRA GOLD MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Six Months Period Ended September 30, 1967

	1967	1966
Source of Funds:		
Depreciation	$ 103,649	$ 103,589
Reduction in Inventory of Mining Supplies	128,507	68,243
Reduction in Prepaid Expenses	3,024	15,458
	$ 235,180	$ 187,290
Application of Funds:		
Net Loss for Period	$ 8,587	$ 58,921
Additions to Buildings, Machinery and Equipment .	1,209	1,462
Special Refundable Tax ..		1,515
Other Items, net	119	120
Increase in Working Capital .	$ 225,265	$ 125,272
Working Capital		
Net Current Liabilities —		
beginning of period	$ 56,822	$ 51,422
Increase in Working Capital .	225,265	125,272
Net Current Assets — end of period	$ 168,443	$ 73,850